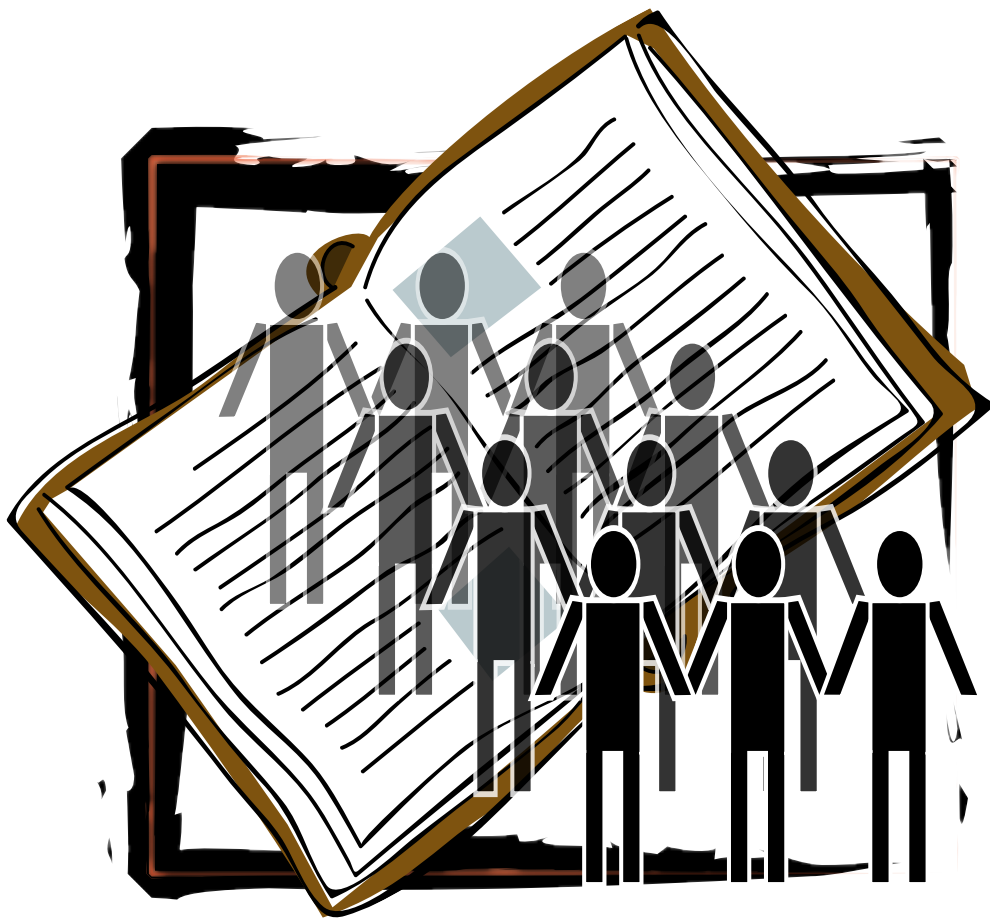


# ADVANCED BUSINESS PRACTICES FOR ENTREPRENEURS



ACAT's Partnership Series

# ADVANCED BUSINESS PRACTICES FOR ENTREPRENEURS



|                 |                    |
|-----------------|--------------------|
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**AFRICA CO-OPERATIVE ACTION TRUST**

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# ADVANCED BUSINESS PRACTICES FOR ENTREPRENEURS

## PURPOSE OF THE COURSE

The Basic Life Skills Course provided training in the basic principles of business, and qualified the trainee to apply for the first level loan to start a small business.

The purpose of this course is to provide the entrepreneur with the knowledge and skills needed to manage a business making use of a larger loan. This may only be granted to entrepreneurs who have demonstrated faithfulness and good stewardship in their management and repayment of previous loans.

The business principles introduced in the Basic Life Skills Course are therefore dealt with in greater depth in this course, since it is assumed that the entrepreneur has had exposure to the running of a small business and to the management of money. Short training sessions are presented by Community Volunteers and Extension Officers in the target areas.

The entrepreneur is encouraged to attend as many of these training courses as possible to further develop his/her business skills and thereby improve the chances of success for the small business.

In order to qualify for the next level loan, all 7 lessons will have to be completed, including the self-test at the end of each lesson. The completed tests will then be submitted together with your loan application.

## COURSE OUTCOMES:

### After completing this course, you will:

- Know the main elements that make up a business;
- Understand the steps in a feasibility study for a business;
- Know how to draw up a budget for a small business;
- Know how to control the stock in a small business;
- Know how to implement a simple bookkeeping system for a small business;
- Be able to use the 'Five-point' method to develop a marketing plan for a small business;
- Understand the basic principles of managing a small business.

## INTRODUCTION

### What is an entrepreneur?

The dictionary defines an **entrepreneur** as a person who has **resourcefulness, imagination and energy**, and who applies these in **setting up a business**. If you have these qualities and you are planning to start your own business, however small it may be, you are an entrepreneur. As the owner and operator of a business, any profits the business makes are yours. In the same way, if your business makes a loss, it is your own loss. If you borrow money to start your business, you will have to pay it back, even if your business fails.

As an entrepreneur, you are responsible for everything that happens in your business.

It is very important, therefore, to manage your business well, so that it makes a profit and will enable you to repay the loan. In this lesson you will learn how to manage your business well so that, after you have paid back your loan, your business will continue to operate at a profit and provide you with an income.

### 1. Managing a small business

The dictionary defines the word **manage** as being able to do something difficult, or to **control, to be in charge of** a shop, factory, etc. If your business is small and you do not employ any staff to help you run your business, then there are only three main management functions which you need to perform:

- Planning
- Organizing
- Controlling

#### 1.1 Planning

Planning means thinking in advance about how you are going to do something. In a business, planning involves the setting of objectives for the business and devising strategies for achieving them. The initial planning of your business began when you decided to undertake a **feasibility study**. Detailed planning began when you began to draw up a **Business Plan**. Part of the Business Plan is the **Budget** (or “money plan”), which shows whether the business is expected to make a profit or loss.

Every process in your business needs to be planned, in other words, thought out in advance. Part of planning involves thinking about what you will do if things don't work out the way you expect. The more time and effort you put into planning your business, the better will be the chances of success.

## 1.2 Organizing

For a one-man business, there will be no staff to organize, and no organizational structure in the business. However, your business can still be well-organized in other ways. You should have a well-organized bookkeeping and record system, so that your financial information is clear, accurate and easy to access, and you are able to use this information to make right business decisions each day.

## 1.3 Controlling

Controlling is the process of making sure that what is actually done is what was planned. An important area of control for any business is financial control, especially when you are working with borrowed money. You need to continually compare your income and expenditure with the budget, and check if there are any differences. This should be done monthly or even weekly. You need accurate and up-to-date records for this (as explained Lesson 3).

If you find you have spent more on any item than the amount planned in the budget, you need to find out the reason for the difference. If your income is less than planned, you will need to take corrective action, or else your profit will be lower than expected. Unless you have accurate and up-to-date records, you will not discover these deviations until it is too late and you have lost money.

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## LESSON 1

# ESSENTIAL INGREDIENTS OF A SUCCESSFUL BUSINESS IDEA

**Outcomes :** After completing this lesson you will be able to:

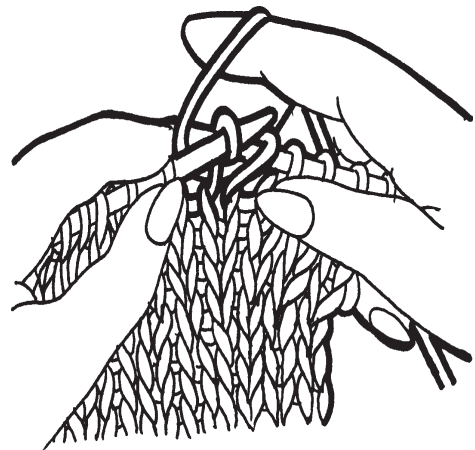
- Identify and understand the main elements that make up a business.



### ACTIVITY 1 : Case Study

A group of women knitted sweaters for a business. Read the story below, then answer the questions that follow.

*A group of ten women learned how to knit sweaters, so they bought two knitting machines to start a business. After the first lot of sweaters, they went to the nearest town to sell them. They decided to sell the sweaters for R45 each, because they discovered that the shops were selling them for R50. They sold all 20 sweaters and bought more wool to start again. Each time they made more sweaters and sold them, they bought some more wool, usually enough to make another 20 - 25 sweaters.*



*When an NGO visited them, the group said they were very busy, but no one was looking for more markets or capital to keep all the members busy. In their minds this was a project activity. No one kept any records of purchases made, other costs, number of sweaters knitted and sold, etc. Meanwhile, a nearby school was ready to give a bulk order, but the group found it did not have enough working capital to buy the quantity of wool needed.*

*Some members complained that only a few of them were working hard, while others lazed around. In fact, only three women were expert at using the machines, but everyone wanted to share in the profits. The chairperson told all the members to learn, so they could become expert at different styles and*

*designs. But many of the members sat by, thinking – “Let the others work, we all contributed to start the project. We must get a share.”*

*By the end of the year the group only had a balance of R300 to be shared among the ten women. At that time one of the machines also needed repairs.*

*Several members started grumbling that they were not getting any money out of the project. Some suggested: “I think the chairperson and the treasurer are eating our money. We sell so many sweaters, but where is the money?” Finally, most of the members stopped attending meetings, saying, “Ah! We are just wasting our time on a project where there is no money!”*

**Analyze what you have read, and answer the following questions:**

- Was the knitting activity bringing in a steady income?
- Were women being helped economically?
- Was it an activity that could last and grow in the future?
- Could it be called a business?

**1. Coming up with a business idea**

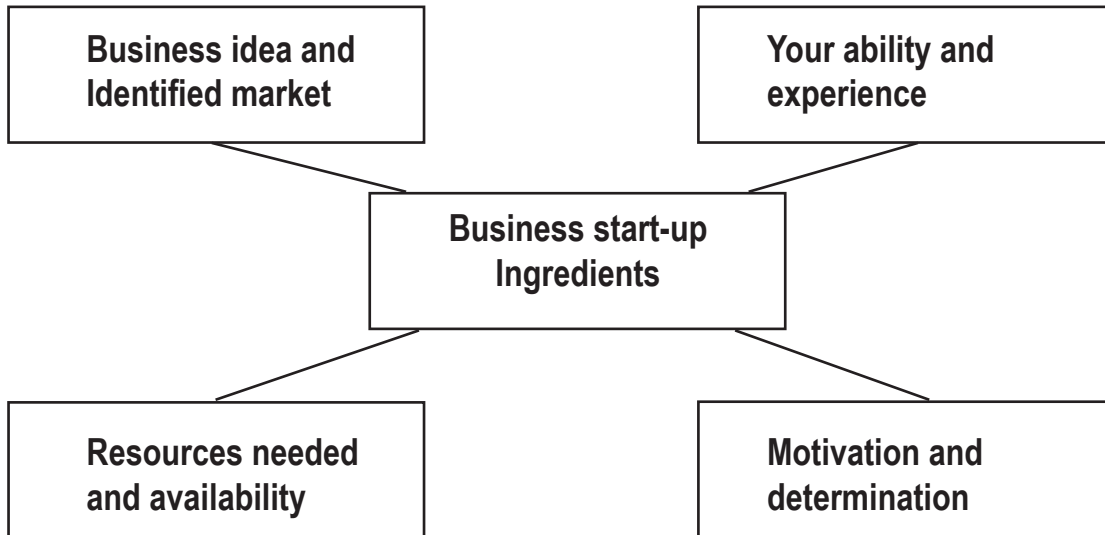
Follow these six steps in the process of coming up with a business idea:

- Start with a **dream** or hope – something you believe you can achieve.
- Develop a goal or **objective** for your business – how can your business help you reach your dream?
- Plan **what** needs to be done to establish your business;
- Plan **how** to do it;
- Plan **where** to do it;
- Plan **who** should be involved in doing it.



## 2. Essential ingredients for starting a business

Look at the framework given below. These four ingredients are essential for the starting up of a successful business.



## 3. The four “legs” for starting up a business

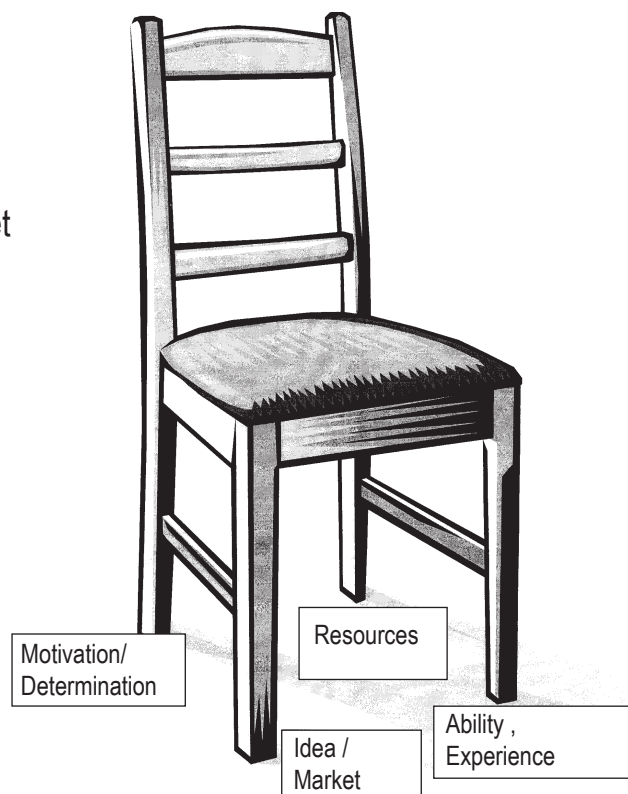
Look at this picture of a chair.  
The chair has four legs and each leg has a vital role.

Leg 1 – business idea and identified market

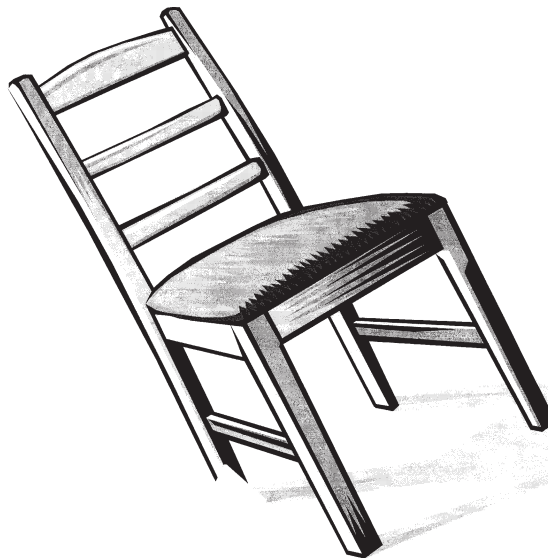
Leg 2 – ability / experience

Leg 3 – resources needed and available

Leg 4 – motivation / determination



What do you think will happen if one “leg” is missing?



**GROUP EXERCISE**

Using the case study at the beginning of the lesson, answer the questions below:

| Questions  | Answers |
|--|---------|
| 1. What was the group’s idea?                    |         |
| 2. Why did they want to pursue it?               |         |
| 3. Did the women have the experience or ability? |         |
| 4. What resources did they need?                 |         |
| 5. Which of these resources were available?      |         |
| 6. Did the business have four legs?              |         |

**Make sure you understand the importance of each “leg” of business.**

## ASSESSMENT TEST: INTRODUCTION AND LESSON 1

Please answer all the questions.

1. Fill in the **missing words** in the sentences below
  - a. A person who owns and operates a business is an .....
  - b. Thinking in advance about how you are going to do something is called.....
  - c. The 'money-plan' for a business is called the.....
  - d. Unless I keep accurate ....., I will not know how my business is performing.

(4)

2. What are the **first two steps** in coming up with a business idea?

.....  
.....(2)

3. Once you have decided to start a business, what are the **four start-up ingredients** you should consider? (Remember the four legs of a chair)

.....  
.....  
.....  
.....(4)

**Total marks: (10)**